

KYMENLAAKSO UNIVERSITY OF APPLIED SCIENCES

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CORPORATE RESPONSIBILITY IN SUPPLIER SELECTION PROCESS AT
ALGOL CHEMICALS

Master's Thesis 2013

ABSTRACT

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Corporate Responsibility in Supplier Selection
Process at Algol Chemicals

Master's Thesis

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Interest in corporate responsibility has been increasing, and it has set its mark on international business. While the topic of corporate responsibility has often been seen as self-evident business practices in Finland, this expanding network of international partners has raised questions on the practices of international business partners. This study was about what issues to raise in supplier selection process and how to do it.

The objective of this development project was to improve the supplier selection process at Algol Chemicals by including the corporate responsibility aspects to the process, enabling systematical handling and reporting of these issues. The research problem was that the supplier selection and evaluation process did not cover all aspects of corporate responsibility. The two research questions of the study were, what issues in regards to corporate responsibility and HSEQ in supplier selection process should be evaluated, and how they should be included in the supplier selection process.

Action research was the chosen setting for methodology for the study. Seven interviews were conducted for collecting primary data. The secondary data was analyzed by using contents analysis.

As a result of this study, themes and topics for the supplier valuation in the selection process were found. A questionnaire based on those findings as well as suggestions for process improvement for the commissioner were made.

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1 INTRODUCTION

1.1 Motivation for the Study

In June 2013 the author of this study attended an internal HSEQ management training at Algol Chemicals Ltd. The training was held by Mrs. Maaret Karlsson, Quality & Environment Manager of Algol Chemicals Ltd. Mrs. Karlsson mentioned that the written corporate responsibility guidelines was a relatively new issue at the company, the company did not systematically involve all HSEQ (the letters standing for Health, Safety, Environment and Quality) and corporate responsibility issues in the supplier selection and valuation processes. It had, nevertheless, for long been discussed to involve these aspects in the process in a systematic manner.

The idea for this thesis project began to develop and after some discussions between the author, Mrs. Karlsson and Mr. Kari Paajanen, Business Development Director at Algol Chemicals Oy, it was decided that a project for improving the supplier selection process by taking the HSEQ and corporate responsibility aspects systematically into the process would be started. The schedule for this project was set to match the deadline for this thesis: to be finished by the end of October 2013.

1.2 Background

The importance of corporate responsibility, health, safety, environmental and quality issues is increasing in business. Customers are more aware of the issues today than ever before. They expect their suppliers to be aware of these aspects and they demand detailed and accurate information on how these issues are incorporated into the everyday business. Companies are vulnerable for losing their reputation in the eyes of the customer, if something would happen related to these issues. Thus, integrating HSEQ plans into company strategies and reporting of corporate responsibility is seen vital and inevitable for companies today. Chemical sector has for long been working with these issues, but the reporting part has not historically been given that much attention. Today with the REACH (registration, evaluation, authorization

and restriction of chemicals) and other regulations in place, reporting of HSEQ and corporate responsibility issues is a part of companies' daily work.

The commissioner of this study, Algol Chemicals Ltd., is a part of a family owned multi-branch group of companies, the Algol Group. Algol Chemicals Oy is based in Espoo, Finland and it operates in selling industrial chemicals for B2B partners in different fields. Algol Chemicals Ltd. in Finland has subsidiaries in Sweden, Norway, Denmark, Estonia, Latvia, Lithuania, Russia, Ukraine and Belarus. The company's supplier network is worldwide and consists of hundreds of suppliers and manufacturers. As this network of partners is expanding, it is important to raise the issues of corporate responsibility already from the beginning of the business relationship. This study is about what the issues to be considered are, as well as how to raise them.

1.3 The Aim, Objective and Questions of the Research

The aim of this development project is to ensure the ethical way of doing business. It concerns the stakeholders of the company including the employees, the customers, the business partners, the local community as well as the shareholders. The objective of this development project is to improve the supplier selection process at Algol Chemicals by including the corporate responsibility and HSEQ aspects to the process, enabling systematical handling and reporting of these issues. The research problem of the study is incomplete coverage of all corporate responsibility and HSEQ aspects by the current supplier selection and valuation process at Algol Chemicals. Based on the research objective and problem above, there are two main research questions:

1. What issues in regards to corporate responsibility and HSEQ should be evaluated in supplier selection process?
2. How should the corporate responsibility and HSEQ aspects be included in the supplier selection process?

The author of this study will seek to find answers to these two questions by document analysis and interviews: Corporate documentation will be analyzed

to define the important corporate responsibility issues in Algol Group in regards to suppliers. Also, an interview with the Quality & Environment Manager of Algol Chemicals will be conducted in order to obtain the point-of-view from the HSEQ department at Algol Chemicals. Customers' point-of-view will be included by analyzing customer enquiries. In order to find the best way to integrate the issues in supplier selection process, interviews will be conducted for those responsible for supplier selection at Algol Chemicals. In addition, there will be discourse between relevant accessories to ensure the best way for the improvement of the process.

1.4 The Framework of the Study

The theoretical framework of this study is based on existing literature in two categories: literature on supplier selection and purchasing literature on one hand, and corporate responsibility and HSEQ literature. Supplier selection and purchasing literature show how the topics are seen in previous studies. There is plenty of literature and research available in this field. There is also a wide amount of previous studies in the field of corporate responsibility. Yet it seems that studies including both of the topics are still quite rare in Finland and in the chemical industry in particular.

The theoretical framework has been chosen in regards to its relevance to the research topic and the setting: As Algol Chemicals is a family business in the field of chemical sales based in Finland the researcher has sought after theories in the field of chemical industry, in Finland as well as in family businesses. The company falls into the category of SMEs (small and medium-sized companies) so the related literature for SMEs is preferred. Algol Chemicals sells industrial chemicals and therefore business to business has also been one of the preferred points-of-view for the chosen literature. Not all these criteria are applicable for all the chosen literature, but the idea has been to gather a comprehensive theoretical framework for this study with these perspectives. For instance, where literature has not been available for a Finnish point-of-view, the researcher has sought to find literature from other Nordic or European countries where the regulations and the values as well as the geographical and cultural settings are similar or close to those in Finland.

1.5 Methodology and Research Process

An inductive, qualitative approach can be chosen as a study method in a business study when a phenomenon cannot be moved from its social context (Ghuri and Grønhaug, 2010). The objective of this study is to find best ways to take HSEQ and corporate responsibility aspects into account in supplier selection process at Algol Chemicals. This context is not easily transferable to other companies and the findings of the study apply to Algol Chemicals exclusively. It is therefore justified to use a qualitative approach in this research.

Action research has been chosen as the setting for the research methodology in this study. It is a unique setting where the researcher has a possibility take part in the research itself and does not need to stay objective and without an influence in the research. (Easterby-Smith, Thorpe & Jackson 2008, 93) Also Freebody (2003, 86) has similar thoughts: he describes action research as a method for changes as the goal is to find a solution and not the absolute truth. This is important for this thesis project, in which the researcher seeks to improve the current supplier selection process and to actively participate in the change. The research process is described in more detail in chapter 4.

In this study the whole process of supplier selection and valuation is first described. This is necessary in order to be able to take the corporate responsibility and HSEQ aspects into account in supplier selection. Even though some data are being collected for the purpose of supplier valuation today, no valuation is made systematically.

2 LITERATURE REVIEW

2.1 Corporate Responsibility

Corporate responsibility is discussed with several terms: corporate social responsibility, corporate citizenship, corporate sustainability, corporate accountability and corporate responsibility itself. All terms differ from each other in some aspects, but they all relate to businesses' responsibility towards their stakeholders. Term 'stakeholder' covers here all possible interest groups of the company and not only the shareholders exclusively.

Table 1. Sphere System Goals and their Minor Implications for Foundation Values (Waddock 2004, 317-318).

Sphere system goals and their implications for foundation values			
Sphere	System Goal	Respect for...	Implies...
Economic	Economizing	Human Dignity	Respect for Employees, labour standards, respect for product/service integrity.
Government	Power aggrandizing	Basic rights	Respect for system integrity, transparency, and the rule of law.
Civil Society	Relationship	Community	Respect for local traditions, context, and basic human values.
Environment	Ecologizing	Future Generations	Respect for ecological sustainability that supports human civilization.
Sources: System goals adapted from Frederick, 1995 and Waddock, 2002; core values of human dignity, basic rights, and community (good citizenship) adapted from Donaldson, 1996 by Waddock (2004)			

According to Waddock (2004), there cannot be corporate accountability in practice unless there is a clear ground of principles on which it can be built. Waddock names a set of principles which corporate responsibility can be based on. These principles cover human rights, issues of labor, system integrity and environmental issues. The principles are widely based on globally agreed documents – mostly created by the United Nations. These principles are shown in Table 1 above: the sphere system goals for corporate accountability are economic, government, civil society and environment and they all are shown by respecting stakeholder groups. (Waddock 2004.)

Reilly and Kyj in their study on corporate citizenship found that the public responsibility should be internalized in a firm in order to make it a reality. The responsibility begins with executives or corporations acting individually –

the basis should be merely based on industry-related standards and regulations. (Reilly and Kyj 1994.)

Su-Yol Lee has studied the drivers for small and medium-sized enterprises (SME) to take part in green supply chain initiatives in Korea. Lee found three main reasons for SMEs to participate in these initiatives and they are buyers' demand, governments involvement as well as the company's readiness. It can therefore be indicated that the SME suppliers take seriously the demands initiating from their buyers. Also, Lee (2008, 193-195) found that the larger SMEs are more likely to participate in green supply chain initiatives than smaller ones. It may be argued, however, that larger SMEs have better resources than the smaller ones and therefore their readiness for the initiatives is better, too.

2.1.1 Corporate Social Responsibility (CSR)

Hopkins (2003, 24) has studied corporate social responsibility in the UK and US with the focus on large enterprises. He prefers to use the term "corporate social responsibility" instead of "corporate responsibility" — even though corporate responsibility may seem better in terms that it does not emphasize the word "social" and thus exclude environmental issues. Hopkins (2003) argues that "corporate responsibility" as a term can be misleading and may have a sound of responsibility to shareholders exclusively. Social responsibility has a deeper meaning than business ethics.

Hopkins (2003, 28) defines corporate social responsibility as follows:

"Corporate social responsibility is concerned with treating the stakeholders of the firm ethically or in a responsible manner. 'Ethically or responsible' means treating stakeholders in a manner deemed acceptable in civilized societies. Social includes economic responsibility. Stakeholders exist both within the firm and outside – for example, the natural environment is a stakeholder. The wider aim of social responsibility is to create higher and higher standards of living, while preserving the

profitability of the corporation, for peoples both within and outside the corporation”

In other words, the society sets the standards for acceptable behavior of firms' stakeholders. The goal of CSR is to improve the standard of living for both internal and external stakeholders of the company.

A good reputation is seen vital for a prosperous business. Hopkins (2003) argues that profitability of an enterprise is not hindered by operating ethically. Both profitability and return on investment are, however, likely to be influenced negatively, should the company be linked to events like cavalier downsizing, environmental disaster or corporate crime. In the future, Hopkins (2003) sees corporate social responsibility becoming increasingly important for businesses.

Galbreath (2006) divides corporate social responsibility strategies in four different categories (176-180):

1) Shareholder strategy

The strategy is concerned only with creating best return on investment for the shareholders of the company. It is a short-term strategy, where the interest is in getting a better result every period.

2) Altruistic strategy

The societal responsibility is seen merely as a responsibility of managers of business firms rather than companies themselves. In this strategy individual values and ethics of managers play an important role. A firm with altruistic strategy seeks to give something back from the profits in order to positively contribute to the community.

3) Reciprocal strategy

This CSR strategy tries to find solutions for the differences between economic objectives and the social, moral and environmental expectations. The idea is to give something in order to gain something.

4) Citizenship strategy

Citizenship strategy is a long-term strategy in which the company takes a wider part in CSR than in the previously described strategies. It is concerned of all the (internal and external) stakeholders of the company, even though it may not treat them equally. The basis for the strategy is a continuous close discussion with all the stakeholders of the firm. Also, the company seeks to report its actions via websites, annual reports etc.

When making decisions about the CSR strategy, an international company should understand that what works at home base, may not be the case in other countries. There are different legislations to follow, and also global standards (United Nations, ISO, OECD) to think about. As the cultures and their values are different in different countries, they should be taken into consideration when planning a global CSR strategy. (Galbreath, 2006,183.)

In their study Amaeshi, Osuji & Nnodim (2008) have sought to find boundaries of corporate social responsibility in supply chains of global brands. They suggest that SMEs do not engage themselves enough to the CSR issues in comparison with large corporations and also, that the responsibilities of firms should be limited in regards to the company-supplier relationships; In fact, they argue that a firm should only be held responsible for its own actions — unless it is clear that either of the partners has misused its power in order to have the other company act in an irresponsible way. (Amaeshi et al., 2008, 224.)

Marihugh (2006) argues that corporate social responsibility is not necessarily the best context for the legal obligations of the company; in her opinion it combines the duties together with the ethical guidelines, which are more of a

voluntary nature. This may affect suppliers' commitment to the legal obligations. Marihugh suggests that keeping the legal compliance out of the CSR scope would actually encourage companies to first focus on what is mandatory, clear the CSR rating practices as well as increase the amount of companies involved in these matters. (Marihugh 2006, 10-11.)

2.1.2 Corporate Responsibility and Purchasing in Finland

In their study Panapanaan et al. (2003) from Helsinki University of Technology (HUT) have concentrated on Finnish companies and how they operate in regards to corporate social responsibility. In the study twelve large Finnish companies were studied. While the scope of the study would be inadequate for generalizing their findings to all Finnish companies, they show some interesting points of view for corporate responsibility issues in Finnish companies with international supply chains.

According to Panapanaan et al. (2003, 140-141), the Finnish companies show a lot of attention in corporate responsibility related topics such as safety and health, discrimination, freedom of association and compensation. A Finnish company has to consider other aspect levels of corporate responsibility when involved in international business – having operations abroad or having an international supply chain, for instance. In regards to the international operations and supply chain and in developing countries in particular, Panapanaan et al. (2003, 141-143) found that topics such as child labor and forced-labor become important issues while in Finland, which is a welfare state society, they are considered irrelevant.

In Finnish companies with foreign operations, in accordance with Panapanaan et al. (2003, 143), the local management is usually given the authority for decision-making. The rationalization is based on the fact that the local management has the best knowledge of the local society. Finnish companies, while seeing the CSR issues becoming more and more important in supply chains, are rather lost with the answers; The general view, based on the findings by Panapanaan et al. (2003, 143-144), is that the company acts on the basis of their requirements (price, delivery and ISO certificates occasionally) and guidelines. While possible suppliers' fulfillment of quality

and environment criteria are being checked, the aspects of corporate social responsibility are not. Based on this fulfillment of the selection criteria, an agreement between the company and the supplier is signed. (Panapanaan et al. 2003, 143-144.)

Corporate social responsibility aspects in supply chains of Finnish companies is problematic: the criteria does not include CSR aspects and as a result, no information on the supplier's CSR principles and practices is being collected. Also, asking for CSR related information — when such policy is taken for granted — from a well-known business partner, may cause a peculiar or awkward situation between the accessories. Another problematic question is how to deal with the entire supply chain; the suppliers of the company have their suppliers, which in turn have their own suppliers and so on. It is seen hard to find the level of company's responsibility in supply chains. Yet another problem is related to the origin of the product purchased from a supplier: Finnish companies find it more relevant to pursue CSR related questions to their suppliers in cases where product origin is in a developing country in comparison to products originating from a developed country. (Panapanaan et al. 2003, 144.)

Leinonen from Kymenlaakso University of Applied Sciences has studied responsible sourcing in some of the biggest companies in Finland in his bachelor's thesis. He studied reports in corporate responsibility and paid attention to purchasing issues in particular. Leinonen (2010) found that the legislation, international standards as well as ethical principles are the basis for responsible purchasing in big companies doing business in Finland.

Leinonen's study concentrates on the biggest companies in Finland and his findings may not be accurate for all companies operating in Finland. Most of the companies in Finland, including Algol Chemicals, are small- or medium-sized and not large. The largest corporations are usually the ones adapting reporting of corporate responsibility first and the smaller companies follow the example afterwards. It can be suggested, however, that the basis for responsible purchasing is the same for SMEs as for larger corporations. (Leinonen 2010, 77.)

2.1.3 Code of Business Conduct

Deborah Leipziger (2010, 71) defines a code of conduct as follows:

“A code of conduct is a set of rules that guides and orients behaviour within an organisation or sector in order to promote social, environmental, and/or ethical behaviour”

In code of conduct an organization states its principles and values in a formal manner. This statement is not given due to legislation but voluntarily. It is therefore that the contents of the code of conduct of an organization can be very different from that of another organization. The codes can be process or performance focused, and they can be written different stakeholder groups in mind. In addition, their scope can vary as well: for instance, the focus can be on environment, safety, labor or human rights. (Leipziger 2010, 71-72.)

2.2 Corporate Responsibility in the Chemical Sector

2.2.1 REACH

According to Visser, Matten and Pohl (2010), the chemicals sector is now living its REACH era. Letters R, E, A, C and H stand for Registration, Evaluation and Authorization of Chemicals. REACH is a set of EC regulations. The goal of REACH is to improve awareness of health, safety and environmental issues within the chemicals sector and the use of chemicals. The regulations apply to all chemicals and not only the ones in industrial use. Companies have to register chemicals and they need to inform of the risks as well as how to best manage them. As REACH is a regulation by European Union, companies within the EU importing chemicals from outside the EU/EEA to EU countries are responsible for REACH related obligations. (European Chemicals Agency 2013; Visser et al. 2010, 64-65.)

REACH are a set of regulations defined by the Council of European Environment Ministers in late 2006. The idea behind these regulations is to include the increased amount of chemicals during the past decades in environmental and health leverage. The regulations set the rules for registration of the

chemicals, analysis of the chemical impacts as well as the instructions for managing them. All in all, the following four issues set the basis for corporate responsibility in the chemicals sector: environmental, health, safety and community impacts. (Visser et al. 2010, 64-65.)

2.2.2 Responsible Care

Responsible Care program is a set of standards for chemicals sector. The standards are self-regulatory and they were created in order to bring the safety, environmental and health practices in chemical companies into a better light. The program has been up and running since 1988 and Responsible Care logo is a well-known sign for a responsible actor in the chemicals sector. (Visser et al. 2010, 64-65.)

2.3 Supply Chains

Andersen and Skjoett-Larsen (2009a) have studied IKEA's CSR program for supply chains. IKEA is a family-owned multinational company selling furniture, kitchens, bathrooms and household products for retailers. The company outsources all manufacturing mostly in Europe and in Asia. As a brand-owner for consumers, the company is vulnerable for bad reputation, should their supplier be caught for violating CSR principles. IKEA is said to be one of the most proactive companies in regards to their CSR program for suppliers and a pioneer in Scandinavia. (Andersen and Skjoett-Larsen, 2009a.)

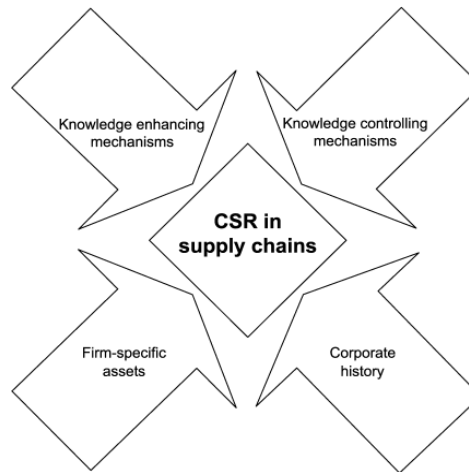


Figure 1. CSR in Supply Chains (Andersen and Skjoett-Larsen 2009b)

The above Figure 1 is presented by Andersen and Skjoett-Larsen (2009b) and it shows the model for contingency factors influencing CSR in supply chains. According to Andersen and Skjoett-Larsen (2009a), CSR practices in supply chains require commitment to CSR throughout the organization. In other words, the company should have mechanisms such as training and sharing of experiences set. Knowledge controlling mechanisms such as integration of CSR in performance measurement systems should also be in place. Firm-specific assets are also important to CSR practices in supply chains: the size of the firm, the importance of brand protection, as well as the reputation of the company are factors influencing CSR practices in supply chains. Last, the corporate history of the firm and its culture towards CSR matters has its influence. (Andersen and Skjoett-Larsen, 2009a.)

2.4 Supplier Selection

According to Hill (2000, 426-427), a company's supplier selection process has three steps: indicating a short list of potential suppliers for the company through a preliminary survey, deeper evaluation of the selection criteria towards the suppliers, and the selection in accordance with the results. The preliminary criteria should cover the following areas (Hill 2000, 426):

1. Viability of the potential supplier in regards to its financial status as well as growth potential for the future.

2. Technical know-how of the potential supplier in order to check whether the current as well as possible future service requirements can be met.
3. Managerial capabilities and attitudes of the potential supplier in order to facilitate possible improvements and willingness to meet the customer needs.
4. Capability of the potential supplier to facilitate the current needs for demand as well as a possible growth of demand in the future.
5. Check of the current status of the potential supplier in regards to its current customers and their markets.

After the preliminary check, a deeper evaluation of the potential suppliers is made. This includes visiting supplier sites as well as checking specific capabilities of the potential suppliers, such as quality registration, consignment stock possibility and possibilities for a partnership in the future. After the evaluation, the selection will be made based on the gathered data. In some cases one supplier is clearly the best option and the selection decision is therefore easy to make. In other cases, where the differences between potential suppliers are not obvious, the data should be rated in accordance with the company preferences in order to find the best suited supplier for the company. (Hill 2000, 426-427.)

Krajewski, Ritzman and Malhotra (2007, 390) name the three most important criteria in supplier selection as follows: price, quality and delivery. The fourth most important criterion is that of environmental impact: more and more companies are involved in green purchasing and subsequently, environmental consciousness is one of the interests in supplier selection.

3 ALGOL CHEMICALS

3.1 Algol Chemicals in Brief

The commissioner of this study, Algol Chemicals Ltd., belongs to Algol Group. Algol Group is a privately owned multi-branch group of companies. The structure of the group is shown in Figure 2 below: The mother company, Algol Ltd., has the following subsidiaries: Algol Chemicals Ltd., Algol Pharma Ltd., Algol Diagnostics Ltd., Algol Technics Ltd. and Algol-Trehab Ltd. The group has its headquarters and main storarage facilities in Espoo, Finland. The Group is international and there are subsidiaries in nine countries: Sweden, Norway, Denmark, Estonia, Latvia, Lithuania, Russia, Belarus and Ukraine. (Algol 2013c.)



Figure 2. Algol Group Structure. (Algol 2013c)

Algol Chemicals Ltd. is a sales organisation concentrating on industrial chemicals. The biggest market is its home market Finland. The company has subsidiaries in Sweden, Norway, Denmark, Estonia, Latvia, Lithuania, Russia, Belarus and Ukraine. Algol Chemicals employs approximately 60 people in Finland and approximately 160 in total. The central storage of the company is located next to the headquarters in Espoo. The annual sales of Algol Chemicals are around 120M euros. The company holds a leading position in distribution of industrial chemicals in Finland. (Algol Chemicals 2013b; Algol Chemicals 2013c.)

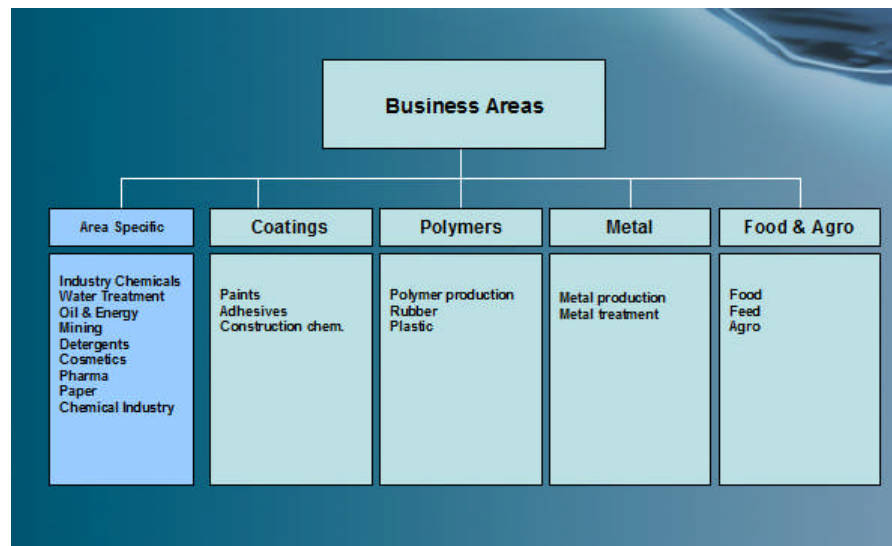


Figure 3. Algol Chemicals Business Areas. (Algol Chemicals 2013a)

As shown in the Figure 3 above, Algol Chemicals focuses on selling chemicals for industries in five business areas, also known as segments (Algol Chemicals 2013a): Area Specific, Coatings, Polymers, Metal and Food & Agro. Figure 2 shows these areas and their sub-segments. It shows that Area Specific covers industry chemicals, water treatment, oil & energy, mining, detergents, cosmetics, pharma, paper and chemical industry. Coatings includes paints, adhesives and construction chemicals, Polymers polymer production, rubber and plastic chemicals, Metal chemicals are divided into chemicals used in metal production and metal treatment, and Food & Agro has food, feed and agro as the area's sub-segments.

3.2 Supplier Selection and Valuation Process at Algol Chemicals

Today Algol Chemicals has approximately 350 suppliers in total. They are divided into categories by their current financial importance and development potential. Algol Chemicals aims to find suppliers for long lasting cooperation and has a long relationship with many of them.

Supplier selection process at Algol Chemicals begins normally by an existing customer requiring a certain chemical. If the product is not already being sold, Sales Managers will try to find out where it can be bought. Normally the process starts with an enquiry to an existing supplier(s). Also, a process of purchasing the product from a new supplier may come into picture. In the end,

the supplier selection criteria are based on business values: the price, reliability and the availability.

As the supplier selection and valuation process is today, there is no organised data collection regarding corporate responsibility nor is there a clear process for supplier valuation. Should there come into light any contradicting procedures or information about the supplier, the supplier will simply not be considered as a supplier.

Algol Chemicals has both a valid environmental and a quality policy already in place today. These are same for the the whole Algol group. The Group companies have both ISO 9001 and ISO 14001 quality certificates, is part of the Responsible Care program as well as a member of both PYR (the Finnish recycling agency) and SQAS (Safety & Quality Assessment System). In each subsidiary level the values, mission, vision and the strategy of the Algol Group are taken into action. This means projects, monitoring and certification as well as business issues related to HSEQ documentation and common guidelines and practices in the subsidiary level.

The business of Algol Chemicals Ltd. deals with chemicals, some of which are classified as hazardous. As an importer it is the company's duty to register important dangerous chemicals if the annual amount is 1000 kilos or more. This is regulated by the national law which is based on the EC regulation REACH. It is also vital to manage the transportation for them as some of these chemicals are not allowed to be transported together with some other chemicals. It is the duty of the warehouse and logistics employees to make sure that these standards are being followed.

When a new customer makes an order or when an existing customer orders a new product, a safety data sheet is sent to the customer either by email or mail. This is a document required by the local officials in respective countries. It gives information on the safety issues to the people handling the product. In Finland this documentation has to be available in both official languages: Finnish and Swedish. Most of the safety data sheets are provided by the suppliers and producers of the chemicals.

Some of the chemicals are used for food production and therefore storing and follow-up of different batches is necessary. Each lot needs to be traceable as they have to be easily found should there come any issues with the chemicals later on. For these products, a certificate of analysis provided by the producer, is sent to the customer and the products of certain lots can be traced to the end users by using the operations management system.

The theory chosen for this study can be criticized and its value for the situation at Algol Chemicals can be questioned. The researcher has sought to find the theory which best adapts to the company of focus in this study. The following notifications and thoughts by the researcher are documented in order to better describe and understand the validity of the chosen literature in this study.

Algol Chemicals differs from IKEA in many ways: IKEA is a large multinational company while Algol Chemicals is an SME; IKEA sells to retailers while Algol Chemicals is doing Business to Business trading; IKEA operates in furniture business while Algol Chemicals is selling chemicals. There are, nonetheless, common factors between the companies as well: They both operate with a global supply chain; Both of the companies have no or little manufacturing by the company itself; Both of the companies are Nordic and share similar cultural values. It can be agreed with Andersen and Skjoett-Larsen (2009) that there is something to be learned or seen as an inspiration in the IKEA model for supply chain CSR for other Nordic companies as well.

3.3 Health, Safety, Environment and Quality at Algol Chemicals

Algol Ltd has set the framework for corporate responsibility within the whole group of companies. It is based on the company values and Algol Chemicals has to operate as instructed. The below picture (Figure 4) shows how the corporate responsibility works at Algol Group and Algol Chemicals:

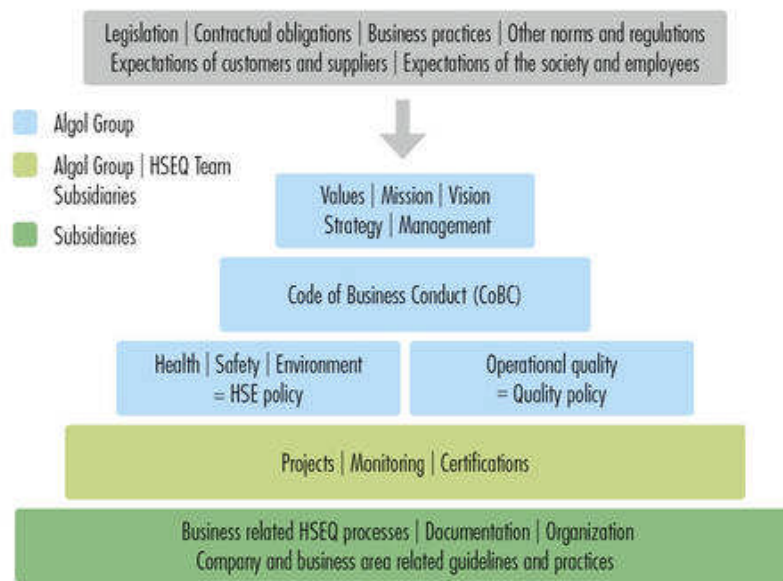


Figure 4. The Description of the HSEQ Entity at Algol Group. (Algol 2013b)

Figure 4 above shows how legislation, obligations through contracts, business practices, other regulations, customer and supplier expectations as well as the expectations of the society and the employees work their way into the operations at Algol Chemicals. Taking into consideration the above-mentioned topics, Algol Ltd has built its values, mission, vision, strategy and management. Based on these statements, the code of business conduct (CoBC), Health, Safety and Environment (HSE) Policy, and the Quality Policy have been conducted. The Algol Group's HSEQ (Health, safety, Environment & Quality) Team works with projects, certification and monitoring. At the subsidiary level, related business processes, documentation, organization, and the company & business area related guidelines and practices are defined. It is at the subsidiary level that corporate responsibility is seen in operational level. It is also the level at which the researcher is concerned in improving the practices. (Algol 2013b.)

3.4 Health, Safety and Environmental Policy

Health, safety and environmental policy of Algol is a document stating what is important to the company values regarding the health, safety and environment

protection matters. The document states that the workplace is safe and healthy for the employees of the group, the group complies with all health and safety related laws and regulations, and that those topics in general are important and that Algol is continuously searching for better procedures and practices to ensure the safety of the users of the products as well as the people handling them. (Algol 2013d.)

3.5 Quality Policy

Algol Group's quality policy (Algol 2013e) is based on the values of the group of companies: reliability, customer focus, profitability, and the will to develop. As the company seeks to have long-term business partners, quality is an important issue in the practices of the company. The quality policy states principles, in which commitment to customers and suppliers is stated, as well as monitoring and follow-up of quality issues. In regards to supplier selection, the issues of long term relationships and high quality service rise up in the quality policy.

4 METHODOLOGY

4.1 The Choice of Research Methodology

Action research has been chosen as the setting for the research methodology in this study. It is a unique setting where the researcher has a possibility take part in the research itself and does not need to stay objective and without an influence in the research. (Easterby-Smith et al. 2008, 93) Also Freebody (2003, 86) has similar thoughts: he describes action research as a method for changes as the goal is to find a solution and not the absolute truth. This is important for this thesis project, in which the researcher seeks to improve the current supplier selection process and to actively participate in the change.

4.2 Action Research

Kemmis and McTaggart (2003, 381) suggest that success in participatory action research depends on “whether the participants of the research have a strong and authentic sense of development and evolution in their practices, their understanding of their practices, and the situations in which they practice.” In action research it is not as important to go through the research steps thoroughly and in order.

Discourse is a central issue in action research. Even though this study is a one-woman project, it is necessary to ensure that all the stakeholders of the project are taken into discussion as the project continues. The researcher is therefore having discussions with the concerned people at Algol and Algol Chemicals: Quality and Environment Manager at Algol Chemicals, Business Development Director at Algol Chemicals, HSEQ Manager at Algol and the Sourcing Manager at Algol Chemicals.

4.3 Research Process

Figure 5 below shows the research process of the study. The data for this study will be collected in three phases: First, existing secondary data existing data will be collected from the company website. Second, existing secondary

data will be collected from the company files. Third, primary data will be collected by conducting interviews.

PHASE	TYPE OF DATA	METHODOLOGY	ANALYSIS METHODS	RESEARCH QUESTION
1	Secondary data: Existing company documents	Document Analysis	Content Analysis	What issues in regards to corporate responsibility, health, safety, environment and quality should be included in supplier selection process?
↓				
2	Secondary data: Existing customer surveys	Document Analysis	Content Analysis	What issues in regards to corporate responsibility, health, safety, environment and quality should be included in supplier selection process?
↓				
3	Primary data: Interviews with Segment Leaders and Quality & Environment Manager at Algol Chemicals	Interview		How should the corporate responsibility and HSEQ aspects be included in the supplier selection process at Algol Chemicals?

Figure 5. Research Process of the Study.

For the secondary data in the first phase, content analysis will be made to find out what values the company stands for what are the concepts that should be taken into account in the supplier selection and valuation. The content of the secondary data in second phase will be analyzed in order to find out what kind of questions customers ask about the company in regards to HSEQ and corporate responsibility. In the third phase, Quality & Environment Manager and Segment Leaders of Algol Chemicals will be interviewed. The interview with the Quality and Environment Manager will be conducted in order to find out the origin of the biggest supplier-related workloads at the HSEQ department. By interviewing the Segment Leaders, the goal is to find out how the supplier selection process works today and how it should be changed in order to better include the corporate responsibility aspects in the process. Based on the findings on the three phases, suggestions for improvement will be made. These suggestions will consist of practical ideas for integrating corporate responsibility in the supplier selection process.

4.4 Document Analysis

As a part of this thesis project, secondary data will be collected and analyzed to answer the following research question:

What issues in regards to corporate responsibility, health, safety, environment and quality should be included in supplier selection process?

In this project, the objective is to find answer to the question by studying the interests of Algol Chemicals in this matter as well as those of the customers of Algol Chemicals. By studying the corporate responsibility guidelines written by Algol, the corporate responsibility and HSEQ aspects set by the group will be covered. Algol Chemicals is a subsidiary of Algol and as such it should follow the same principles in its operations. These guidelines are described in three documents:

- 1) Code of Business Conduct,
- 2) Quality Policy, and
- 3) Health, Safety & Environment Policy.

The corporate responsibility & HSEQ aspects that the customers of Algol Chemicals are interested in could be answered by conducting a survey to the customers of Algol Chemicals. There would be, nevertheless, difficulties in it: the total amount of customers is hundreds, and it would take a considerable time to collect the data. As this project was started in summer 2013 with a tight schedule to finalize it by the end of October 2013, this option for primary data collection could not be chosen and alternative option had to be found.

The Health, Safety, Environment and Quality department at Algol Chemicals has received questionnaires from its customers in regards to corporate responsibility. These questionnaires have been filed and they can be used as secondary data for this study. This documentation taken into account in this study is limited to the questionnaires, which have been received between January 2012 and October 15, 2013. This limitation has been made in order to focus on the newest data. It is necessary to notify that it is possible that this data are not complete and would therefore not represent the whole clientele of Algol Chemicals. Also, as the data are in the form of different documents, it is time-consuming to find all the themes in them. Nonetheless, it is the most suitable method for receiving the answer to the research question.

The corporate responsibility related documentation by both Algol and the customers of Algol Chemicals will be analyzed in document analysis by using content analysis in the form of conceptual analysis. In conceptual analysis, the documents are first read through several times and different themes are then set and coded. Due to the lack of an electronic system, the analysis will be done manually. According to Colorado State University (2013), a manual analysis offers the benefit of detecting mistakes.

The contents analysis of the corporate responsibility documents will differ from that of customer enquiries: In analyzing corporate responsibility documents it the purpose to identify aspects that are important from the company side. While it is not the idea in the contents analysis of those documents to find common aspects in all the documents, it is the focus in the contents analysis of the customer enquiries. In addition, some statistics are added to the analysis of the customer enquiries in order to divide the data in some groups.

4.5 Interviews

4.5.1 General

As the objective is to get in-depth information from the supplier selection stakeholders, semi-structured interviews are used as a data collection method on the third part of the research process. The objective for the interviews is to discover what the segment leaders at Algol Chemicals deal with in regards to the supplier selection process and how this process could be improved, and how the corporate responsibility aspects could be best adapted to the process.

In a qualitative research a semi-structured or an unstructured interview is usually chosen. For a semi-structured interview the researcher will prepare list of questions and themes which are to be covered in the interview. Semi-structured interview is a good choice for data collection in cases where the objective is to find answers to questions that begin with either “what” or “how”. (Saunders et al. 2009, 320-321.)

A total number of seven interviews will be conducted for this study. The following persons will be interviewed as their role as segment leaders at Algol Chemicals:

1. Metal Segment Leader
2. Food & Agro Segment Leader
3. Industrials Segment Leader
4. Coatings East Segment Leader
5. Coatings West Segment Leader
6. Polymers Segment Leader

The first three interviewees work at the headquarters in Espoo and therefore their interviews will be conducted in person. The latter three interviewees work at offices abroad, in Russia and Sweden. For this reason their interviews will be conducted by using Google Hangout tool. In addition, the Quality and Environment Manager at Algol Chemicals will be interviewed in person in order to get the inside knowledge and interests of the HSEQ department at Algol Chemicals.

4.5.2 Themes and Questions

By interviewing the objective is to find out how to include the corporate responsibility and HSEQ aspects into the process of supplier selection at Algol Chemicals. Therefore, we need to ask the segment leaders who have the responsibility for suppliers at Algol Chemicals, how the HSEQ and corporate responsibility aspects are affecting the supplier selection today, whether there are any segment specific aspects to be considered and if so, what those aspects are, what kind of local legislation needs to be considered, how the supplier selection process works today and what kind of tool they would like in order to make the selection process easier. Appendix 2 covers the list of topics and questions to be covered in the interviews with the segment leaders. The questions are the following:

1. How do you understand the HSE & Quality policy & Code of Business Conduct?

2. How do you understand corporate responsibility of Algol Chemicals?
3. How do you practice these corporate responsibility issues? (Do you think that corporate responsibility is part of your job, too?)
4. What is your role like in regards to suppliers?
5. Describe the supplier selection process in your point of view. (What happens before the request in Salesforce (CRM software in use at Algol Chemicals)? What issues are discussed? Do you report the issues and if so, how and to who? Do you use any listed criteria and if yes: what does it include?)
6. What kind of information do your customers require in regards to corporate responsibility and HSEQ?
7. What kind of (if any) local and/or segment specific legislation on these corporate responsibility aspects do you know?
8. How do the sales people in your teams report to you on the customer needs and wants in regards to suppliers?
9. What would help you and your teams to better include the corporate responsibility aspects in their work with supply chains and in supplier selection process in particular? (Tools, education, what else?)

In the interview with the Quality & Environment Manager of Algol Chemicals, the questions are rather direct in order to get specific interests of the HSEQ (Health, Safety, Environment & Quality) department at Algol Chemicals. The topics to be covered in the interview are in Appendix 1 and below:

1. How would you like to change the current supplier selection process at Algol Chemicals?
2. What are the supplier criteria that bind the company legally?

3. What kind of preliminary information of the potential suppliers could help or ease your job in the HSEQ team?

5 FINDINGS AND ANALYSIS

5.1 Contents Analysis of Algol Groups Guidelines

In this chapter the Algol Group guidelines — Code of the Business Conduct, HSE Policy and Quality Policy — will be analyzed. The purpose of this analysis is to find the important issues in corporate responsibility in the group level. These documents are general for the entire Algol group of companies.

5.1.1 Contents Analysis of the Code of Business Conduct

“The values of the Algol group are reliability, customer focus, profitability, and the will to develop. Our values affect and define the way we conduct our business on a day-to-day basis. On the other hand, we recognise that there are numerous rules, regulations and standards that affect the way in which we apply our values to our business conduct. This Code of Business Conduct sets forth basic principles that are applied by all entities and all employees within the Algol group on all our markets ... Where more than one set of standards or policies apply, we act in a way that will fulfil the most stringent of all the relevant undertakings or requirements.” (Algol 2013a)

The very same Code of Business Conduct is valid for the entire Algol Group. The document is of general nature and this can be explained by the wide applicability of it: the whole Algol Group. As there are a variety of rules, regulations and standards to apply in different business areas and segments in the group, a common set of guidelines cannot be very detailed. In addition, the document is relatively new, and its content has not been amended since it was introduced.

The Code of Business Conduct is based on the values of Algol group: reliability, customer focus, profitability and will to develop. Also, all laws, regulations and standards set the basis for the Code of Business Conduct. The codes

also set the frame for who they apply for and where; every business unit and each employee. The applicability is stated in a clear manner and should leave no questions.

What is interesting in the point of view of this study is that there is a chapter which describes the code for doing business with the business partners — including suppliers. In this chapter, a long-term relationship with all business partners is underlined, and that mutual trust and confidence provide the basis for these relations. In the same chapter, there is a notification of informing all the business partners of the company of the contents of the Code of Business Conduct. Also, these codes are expected to be accepted by the business partners and they are expected to act in a way that does not conflict with the Code of Business Conduct. Finally, the Code also guide that reasonable investigation may take place. This investigation should be done for verification of the compliance of business partners' operations, but simultaneously, Algol group is taking the compliance requirements of their business partners very seriously.

“We do not tolerate any form of forced labour or child labour.” (Algol 2013a)

“We do not engage in any form of illegal corruption, bribery or extortion, whether in relation to public authorities and officials, in relation to our business partners or in relation to any third parties.” (Algol 2013a)

“We will not under any circumstances become involved in any form of money laundering.” (Algol 2013a)

The above mentioned three sentences in the Code of Business Conduct are clear and unambiguous; they leave no space for speculation. What is important — keeping the objective of this study in mind — is that these sentences clearly underline what is not accepted from neither the company itself - nor its business partners: forced or child labor; corruption, bribery or extortion; and money-laundering. Subsequently, these are issues, which would leave no option other than to decline or stop any potential or existing business with a partner, should the company become aware of any contradicting practices. Should contradicting practices come into light in case of a potential supplier,

the supplier selection process should not lead to a mutual contract between Algol Chemicals and such potential supplier.

“We comply with all applicable, national and international, laws and regulations relating to fair competition and antitrust.” (Algol 2013a)

“We comply with all laws and regulations relating to health and safety.” (Algol 2013a)

The two statements above present the aspect of legal compliance in the Code of Business Conduct. These aspects can be related to the suppliers of Algol Chemicals: As a seller of the products of the suppliers, it would be a violation of these laws from Algol Chemicals' part as well if the relevant legislation was not followed in the supplier's part. In supplier selection this means that Algol Chemicals should ensure that the products themselves do not contain any illegal substances, legally required information and documentation from the supplier is received and that the packaging and transportation are arranged in a manner required by the law. In international business it is also necessary to pay attention to different laws and regulations that may apply nationally and internationally.

“We endeavour to prevent the unsafe use of any products or services provided by us.” (Algol 2013a)

“We adhere, where applicable, to relevant environmental programmes, commitments and regulations.” (Algol 2013a)

As a sales organization, Algol Chemicals relies on the documentation received from the suppliers in order to best prevent accidents and incidents with sold products and services. Therefore these guidelines need action from the suppliers' part as well. Safety Data Sheet is a vital part of the prevention of any unsafe use of the products. Compliance with relevant regulations can also be linked to the products purchased from the suppliers; registration of the products is based on the material documentation and the safe use, storage and handling of products is related to the substances in the chemicals.

In the Code of Business Conduct, compliance with the law and regulations are underlined by use of words such as “law”, “legislation”, “regulation”, “illegal” and “compliance” several times. The word “employee” is also written numerous times, which can be seen as a reference to the applicability of the codes to the entire company and its personnel. Surprisingly, there is seemingly nothing in the text to further guide how the value of profitability is taken into account in the operations.

5.1.2 Contents Analysis of Health, Safety and Environment Policy

The HSE (Health, Safety and Environment) Policy of Algol group refers to the Code of Business Conduct, in which the basic business ethics of the company is represented. The HSE policy, on the other hand, gives more detailed and specific principles and guidelines to the issues. It highlights that these principles and guidelines apply to all employees and operations of all entities.

“We comply with all laws and regulations relating to health and safety” (Algol 2013d)

“We comply with all laws and regulations relating to protection of environment” (Algol 2013d)

The two statements underline the company’s policy to legal compliance in regards to health, safety and environment. Legal compliance is highlighted both in the Code of Business Conduct and in the Health, Safety and Environment Policy. It can be seen self-evident that any company should follow all applicable legislation. However, stating these sentences separately, gives both the documents more credibility and it stresses the relevant issues for the HSE policy. These statements do not, nevertheless, bring any added value in the light of the research objective of the study and supplier selection.

“We provide a safe and healthy workplace for our employees” (Algol 2013d)

“We are committed to the safety of our environment” (Algol 2013d)

“We endeavour to prevent the unsafe use of any products or services provided by us” (Algol 2013d)

“We strive to minimise the environmental impact of our operations and to use natural resources efficiently” (Algol 2013d)

The four sentences in the HSE Policy stress the company commitment to its stakeholder groups such as the employees, the society and the customers and the environment. These commitments require indirect contribution from the suppliers as well: the products have to be packed and shipped in a safe manner and the necessary and correct documentation have to be collected from them. This way, the safe use, handling, and transportation are enabled. In a case of a contaminated product or a mislabeled packing, a tracking system has the first-rate importance. Only this way those products can be found and possible misuse of products can be minimised.

“We are committed to continuously improving our internal procedures, policies and guidelines” (Algol 2013d)

“We monitor our performance in HSE matters. We review our HSE targets on an annual basis in order to identify development needs and implement improvements” (Algol 2013d)

“Our HSE management system is audited and verified by independent certification agencies” (Algol 2013d)

The statements above are related to the company's commitment to the continuity of improvement. They cannot be seen as direct requirements to the company suppliers but rather as a projection of the long-term ideal of doing business. It may affect the supplier selection in a way that companies with future plans and up-to-date policies are preferred.

“We are responsive, co-operative and open in HSE matters. This applies in relation to our business partners, public authorities, employees and other stakeholders” (Algol 2013d)

This quote is the only statement in the HSE Policy that includes the suppliers directly — as business partners. The statement above can be understood in a sense that HSE related matters are taken seriously and the company needs cooperation from its suppliers and customers in order to work with it. In addition to this direct statement, also other statements can be linked to supplier cooperation (Algol 2013d)

Based on the HSE Policy it can be argued that the suppliers of the company are a vital resource of information since the company itself is not in business of production. The necessary documentation including the knowledge of substances and the instructions for the safe use of the products are closely related to the company's capability for operating in accordance with these policies in practice.

5.1.3 Contents Analysis of Quality Policy

“By combining the research and development input of a broad network of suppliers, a diverse and continuously developing range of services, and the leading expertise of its personnel, the Algol Group offers its customers solutions and products that help enhance their competitiveness.” (Algol 2013e)

The quotation above from the Quality Policy may have a sound of a text from a marketing brochure but it also refers to the broad network of the company suppliers. The suppliers' research and development is a necessary contribution for the company and its goal for the offered products and solutions.

“Our vision is to be the most efficient and innovative service organisation and the most desired partner for our customers and suppliers.” (Algol 2013e)

“We provide high-quality services and support to our customers, based on a true interest in and understanding of their needs and requirements.” (Algol 2013e)

“We strive to build long-term relations with customers, suppliers and other business partners based on the principles of mutual trust and confidence.” (Algol 2013e)

The first quotation stresses the cooperation between the company and its two stakeholder groups: customers and suppliers. In order to reach the position stated as well as to maintain that position, continuous cooperation between these two stakeholder groups is vital. The two latter quotations also underline the value of long-term relationships, cooperation, mutual understanding and trust. It is also worth a remark that these statements in the Quality Policy also give grounding for emphasizing the customer needs in supplier selection process and for updating these aspects on a continuous basis.

“We maintain adequate, easily accessible and safe files and records of all our operations.” (Algol 2013e)

“Any deviations are dealt with swiftly, in a constructive manner that is founded on responsiveness and accountability. Deviations are regarded as an opportunity to learn and improve our activities.” (Algol 2013e)

These two quotations are interesting from the researcher’s point of view as statements for reporting. In regards to current supplier selection process, more reporting is necessary and it should be easy to access. For instance, information gathered in supplier selection process could be filed in Salesforce.

A new profile can be easily created for a potential supplier in Salesforce. If a potential supplier is not chosen, this information should still be accessible and the reasons for not starting a business relationship should also be reported. If the potential supplier is chosen as a business partner, it should be secured that the saved information under the profiles of potential suppliers in Salesforce is integrated with the supplier profiles opened at the time of the business entry. As for the time being, this can only be done by dedicated users of Salesforce. It would be beneficial and necessary to give this possibility for more users in order to share the workload, should the suggestions in this study be taken into action.

5.2 Analysis of the Customer Enquiries

In order to maintain customer focus, customer enquiries in corporate responsibility and HSEQ (health, safety, environment and quality) matters are key

data for the study. HSEQ department at Algol Chemicals systematically updates Excel lists of received enquiries from the customers of company. The team also saves the enquiries as well as the given answers on common drive. This data is analyzed in this chapter with a goal to find common topics of interests in corporate responsibility among the customers of Algol Chemicals.

It was decided that the customer enquiries between January 2012 and October 15, 2013 would offer a sufficient amount of data to get an idea of the customer interests in corporate responsibility and HSEQ aspects towards company suppliers. A total number of 87 enquiries were received from the customers in the mentioned time frame. One of these enquiries was for Algol Diagnostics and therefore not applicable for this study. 35 enquiries were received in 2012 and 52 in 2013 until mid-October. Eleven enquiries from 2012 and 21 enquiries from 2013 could not be found in the common drive and therefore a proper content analysis of these enquiries was not possible. They were, nevertheless, on the Excel lists updated by the HSEQ team and therefore some analysis could be made.

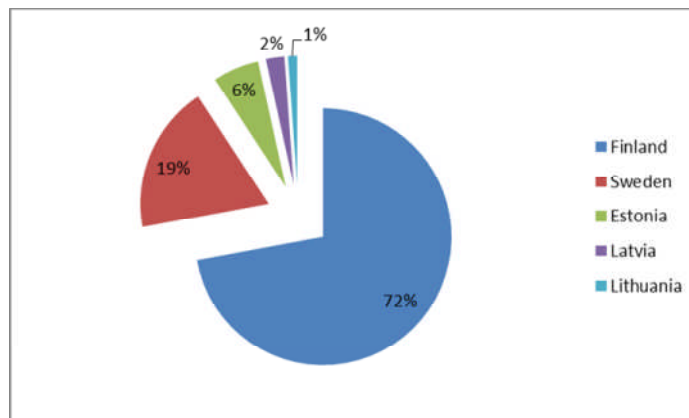


Figure 6. Deviation of the Customer Enquiries by the Country.

Figure 6 above illustrates the deviation of the origin of the received customer enquiries. Not surprisingly, the majority of the customer enquiries were received from Finnish customers. The second biggest amount of enquiries came from Swedish customers and the rest from the customers in the Baltic States. No enquiries were received from the customers in Russia, Belarus, Ukraine, Norway or Denmark. This could be because customers in the mentioned Algol

Chemicals countries had no enquiries during the time frame, because the enquiries were not received or filed by the HSEQ team.

Eight enquiries were received from customers, which are not currently active in Salesforce. These could be enquiries from end-customers, who purchase from customers of Algol Chemicals. Also, a non-active status could be explained by the possibility of asking before buying — and by a long time since the last purchase, which would lead to inactive status in the system.

Table 2. Number of Enquiries by the Industry of the Customer.

Enquiries by the Industry of the Customer		
Industry	No of Enquiries	Percentage
Food	19	25%
Metal Treatment	15	19%
Detergent & Cosmetics	8	10%
Paper	8	10%
Paints	6	8%
Other Area Specific Subsegments	6	8%
Adhesives Liq.	3	4%
Rubber	3	4%
Pharma	3	4%
Plastic	2	3%
Chemical Industry	2	3%
Agro	1	1%
Construction	1	1%
Total	77	100%

A total number of 86 customer enquiries relating to corporate responsibility and HSEQ issues were received in the agreed time frame. Table 2 above shows how the number of all enquiries was divided between different industries. In nine cases the industry of the customer was not clear because of the non-active status of the customer or because there was uncertainty about the customer. As a result, a total number of 77 customer enquiries were included in the Table 2. As expected, customers from food industry had made the biggest amount of enquiries. Because there is no strict industry-related legislation for chemicals used in metal treatment, it was somewhat surprising that the high number (15) of enquiries originated from metal industry. Also, the low number (1) of enquiries originating from agro industry was surprising; the regulations in agro industry are strict.

In the Excel sheets updated by HSEQ team there is a column for the topic of the customer enquiry. This was not filled in a number of cases and therefore a complete picture of the customer enquiries is impossible to obtain by only relying on the data on this Excel sheets. However, it can be seen that there is plenty of variety between the enquiries. Some of the most popular topics in the enquiries were Nordic eco-label (Swan label) and raw material specifications. Both types of the enquiries require information from the manufactures of the products in question. These kinds of enquiries may not, however, give any valuable information in the light of the objective of this study as these are specific product-related enquiries.

Among the customer enquiries, there were 22 questionnaires, surveys and self-assessment forms (later referred as customer questionnaires). Contents of these customer questionnaires is analysed in greater detail in order to find more useful information of the customer interests for the topic at hand.

A total number of 22 questionnaires and surveys and self-assessment forms from customers were received and filed by the HSEQ team between 1 January 2012 and 15 October 2013. Thirteen (13) were received in 2012 and nine (9) in 2013. After more careful pre-checking of the documents, nineteen (19) enquiries were accepted for a contents analysis in more detail.

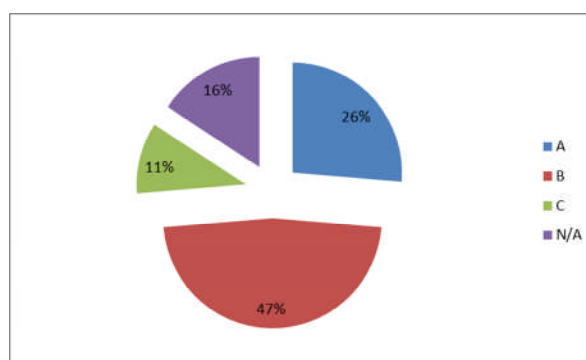


Figure 7. Customer Questionnaires by Classification of the Customer.

At Algol Chemicals, the classification between three main categories A, B and C is based on financial importance, relationship and potential growth. Customers are categorized in groups A, B and C. A customers form the category for most important customers while C customers are least important ones.

Figure 7 illustrates the amounts of customer questionnaires from different customer classification groups. The majority (14) of the questionnaires were received from customers who were classified as A or B customers. In three cases there was no classification available; either the questionnaires were received from non-existing customers or it was unclear for the author of this study to which customer classification they should have. Two questionnaires were received from customers classified as C customers.

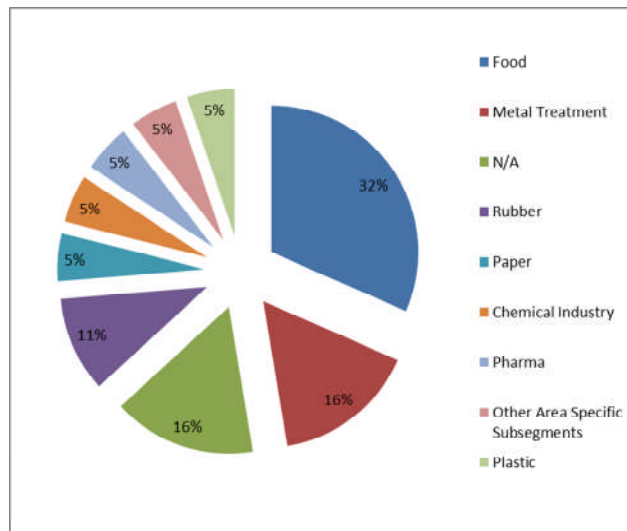


Figure 8. Customer Questionnaires by Industry of the Customer.

Figure 8 shows, how the customer questionnaires were divided between different industries of the customers. The biggest industry was food with six questionnaires. Metal treatment customers sent three questionnaires, rubber customers two, and one questionnaire was received from customers from each of the following five industries: pharmaceuticals, paper, plastic, chemical industry and other area specific sub segments.

The contents analysis of the customer questionnaires shows that there was a wide range of topics of interest from general company information to detailed procedures. What was interesting on a general level was that there was only a little interest in Algol Chemical's credit/liquidity rating and development plans for the future. The most frequently asked general questions were in regards to the industry/business area, amount of personnel, turnover, ownership or structure, the website address of the company and the supplied products.

Quality related topics of interests in the customer questionnaires were certified quality management system, the third party for the assessment, the contact person, copy of the certificate, documented complaint handling process, quality controls, internal audits, customer auditing, working conditions, training of the personnel, storing practices and the traceability of the products. Some of the customers were also interested in documented pull-back system and supplier assessment. One of the customers asked to have a possibility to audit suppliers of Algol Chemicals.

In regard to environmental practices, customers showed most interest in certified environmental management system, copy of the environmental certificate, environmental policy and compliance with legislation and regulations. Some interest could be found for future goals in the areas of decreasing the amount of waste, waste management in general, packaging and minimizing the environmental effects of transportation. On a more specific level, participation in Responsible Care program showed only little interest.

Customers showed most interest in the following safety issues: a certified safety management system, the certificate, training of the personnel, safety data sheets, certificates of analysis and safety policy. Some questions were asked about general safety at work, food safety and accidents & incidents.

Corporate responsibility and business ethics were asked about a few times, and also some interest was shown on how Algol Chemicals ensures ethical practices of its own suppliers. Bribery, freedom of association, child and forced labor as topics were popular. Questions about safety data sheets and certificates of analysis were asked several times. Money laundering was not among the topics of interests.

Among the customers from food industry, HACCP (Hazard analysis and critical control points) certification was among the topics of most interest. Food customers showed also interest in GMO (genetically modified organism), production hygiene, REACH, food safety and allergens.

5.3 Analysis of the Interview with the Quality & Environment Manager

The interview with the Quality & Environment Manager of Algol Chemicals was conducted in person on 7 October, 2013. The idea was to get insight from a person who is working in the company HSEQ (Health, Safety, Environment & Quality) department of Algol Chemicals in order to get improvement ideas for the current supplier selection process in the company.

The interviewee stated that the two most employing actions in regards to the company suppliers are the safety data sheets and the product labeling. The minimum requirement for the suppliers from the HSEQ point-of-view is that the supplier can provide the company with accurate safety data sheets for the purchased products — or the equivalent data in another form — in English. This requirement is based on the legal obligations of Algol Chemicals. The competence of the HSEQ department enables Algol Chemicals to be flexible in regards to the language and the form of the data received from the customers: safety data sheets and labels can be produced by the company — along with their translations.

The interviewee underlined that the legal obligation to provide safety data sheets covers classified chemicals only, but as the company policy and service to the customers, they are also provided for non-classified products sold by Algol Chemicals. The work load of the department could be eased by collecting the safety data sheets in all the necessary company languages (English, Finnish, Swedish, Norwegian, Danish, Russian, Belarusian, Ukrainian, Estonian, Latvian and Lithuanian).

In regards to labels of the products, the legal requirement is that the labels of classified chemicals have to be in the official languages of the country in question. The labels can be produced and placed by Algol Chemicals, but in order to ease the current work load, it would be good to ask the suppliers about their possibilities to provide the labels. This is, according to the interviewee, often possible in a case of a supplier from the European Union. Therefore it would be justified to ask the suppliers of their possibility to provide the labels in the company languages. This would not only ease the work of the HSEQ department but also that of the warehouse. If the supplier in question is from China

for instance, this may not be a possibility. Even at those cases, the supplier could be asked to set the labels provided by Algol Chemicals to the products in order to ease the work at the warehouse.

In regards to food additives and feed additives in particular, the legislative requirements are strict. In Finland the requirements follow the food and feed legislation of the European Union. Labeling requirements according to feed legislation go beyond those of CLP: additional requirements include description of the type of the feed, category of animal for which the product is intended, instructions for proper use, minimum storage life, traceability information, the approval number (α number) of Algol Chemicals among others.

The interviewee points out that when dealing with chemicals in food, feed and pharmaceutical grade, the product tracking is essential. In these cases a batch tracking system needs to be in place and the suppliers are required to provide certificates of analysis to be sent to the end-customer. Also additional certificates are often requested by the customer. They include Halal, Kosher, Allergen and GMO certificates. When selling to a Norwegian customer, it also worth notifying that the reporting to Norwegian Food Safety Authority is more detailed than the same to the Finnish Food Safety Authority Evira.

According to the interviewee, corporate responsibility issues are more thoroughly thought in regards to our customers than other business partners. At the moment Algol Chemicals does not systematically collect information of its suppliers ISO certifications. Policies and certifications reflecting the supplier's active commitment to health, safety, environment, quality and to corporate responsibility should be systematically gathered. Preferably the supplier should have a third party certification or assessment. If the supplier cannot provide such information, Algol Chemicals should otherwise verify that the supplier operates in accordance with Algol's responsibility principles. This must be done before entering into business with the potential supplier.

5.4 Analysis of the Interviews with Segment Leaders

All the interviews with segment leaders were conducted 7—11 October 2013. A total number of six interviews were held. The number covers all the segment

leaders of the company, who act as a link between the suppliers and the customers. Three of the interviews were conducted at Algol Chemicals headquarters in Espoo because the interviewees' work there. The other three were conducted online via Google Hangout tool since the interviewees work in Sweden and in Russia respectively.

The purpose of the interview was to find out the current state of supplier selection at Algol Chemicals in regards to corporate responsibility and HSEQ aspects. In order to take these aspects into account with the process, it was necessary to uncover the current practices as well as the thoughts of the people responsible for the supplier selection. Also, when suggesting changes in the practices, it is vital to speak with the people affected by them in order to get their involvement and acceptance for the possible changes. The interview structure was described in detail in the previous chapter 4. As the idea was to discuss the issues in a productive manner, the interviews were a little different from each other and the interviewer made notes during the interviews. The notes were documented after the interviews and the analysis was made based on these notes.

As expected, all interviews were different from each other. There are several reasons for this: All segments of Algol Chemicals are different and the needs of each segment are therefore also different. There has not been a standard procedure for supplier selection in the company and therefore the practices vary from each other. Although all the interviewees hold a position as a segment leader, their scope of daily work differs from segment to another. Also, cultural differences may cause some different points-of-view: three of the interviewees are Finns, two are Swedes and one is Russian.

It seemed clear after the interviews that no checklist is used and reporting is not done in a systematic manner as a common practice in supplier selection at Algol Chemicals. Only one interviewee reported that he used a checklist as tool of his own, even though all interviewees seemed to have a clear picture of what things should be covered in the discussions with a potential new supplier. Also, some of the interviewees expressed the view that a checklist of issues to be covered in this process would be a good tool. In addition, one of

the interviewees came up with a practical idea for reporting of informing the supplier of the Code of Business Conduct: the document could be added to Salesforce, a software tool commonly used for sending offers to customers and for reporting customer visits and other data at Algol Chemicals, and by sending the document via Salesforce to a potential supplier, there would be a clear sign of highlighting the importance of the CoBC to the company. This could also apply for the existing suppliers.

Common topics to discuss with potential new suppliers covered the product issues: Is it a new product or a better working product? Does it fit into the current product portfolio and the company focus? Another common topic was the reputation of the supplier: Algol Chemicals clearly prefers suppliers with a long history doing business and a good name. The reliability of the supplier was thought as an important issue and based on the fact that the customers of Algol Chemicals value the company because of its reliability. Also the price, delivery and payment terms were key topics to discuss with the potential suppliers.

Even though corporate responsibility aspects did not seem to be a part of topics to cover in discussions with potential new suppliers, it was clear that the interviewees thought that these aspects were a part of suppliers' standard presentation of their companies. However, there were no signs of systematic enquiries or notes on these issues based on the interviews. Safety, environment and legality of the company actions were the most important issues in regards to corporate responsibility of Algol Chemicals based on these interviews.

One of the interviewees said that while he highly valued the work of HSEQ team of Algol Chemicals, he did not find the Code of Business Conduct a living thing. He criticized these guidelines for being nothing special, too superficial and not giving any direct or specific guidelines on how to operate with the suppliers. He gave an example of another company's Code of Conduct where the guidelines were specific in regard to whether the employees of the company were allowed to travel with representatives of a supplier and what value of gifts were they allowed to accept. As of now, the law in all respective coun-

tries of Algol Chemicals gave the ultimate rule but he expected the company to give its clear policy on the issue.

Based on the interviews it was not clear for all the segment leaders how to practice corporate responsibility aspects in supplier selection or supply chain in general. Most interviewees described these aspects as common sense or normal business practices in the Western World. While these aspects were found important, getting detailed information seemed to puzzle the segment leaders. Most of the suppliers were described as long term business partners of the company with a good reputation and being world class names. Then again, a question of raising these issues was seen more important when talking about a supplier from outside the Western World — Asia, for instance. It is worth making a point that because of the cultural differences, codes of conduct in Asia may vary from those of European companies. In international business cultural differences should be taken into consideration. It may not necessarily mean that one type of code of business conduct is better than the other — they may simply be different.

One of the segment leaders raised his doubts about the weight of possible data collection on corporate responsibility matters. According to him, these kinds of documents assuring a certain way of business practices could be easily received signed from any supplier. This would not, nonetheless, guarantee that these practices were really in place. The interviewee admitted that this document would have legal bearing but if Algol Chemicals would really want to know what the practices at the factories were like, the company should start investigating and visit the places in person. So far, visits have been made to factories in China merely to ensure that the factories really exist. No auditing has taken place. Also, a recent news topic of companies' practices in tax avoidance was common in his opinion. The same interviewee raised also a question whether Algol Chemicals could ask these questions from its customers, another group of business partners.

Food & Agro Segment was clearly the segment with most interests and regulations in the corporate responsibility and HSEQ aspects. The segment leader pointed out that agro business is more regulated than the food business and

that the suppliers in the sector advertise with their actions in corporate responsibility aspects. Traceability is necessary; and also certifications for Halal, Kosher or GMO need to be in place. Norway's legislation is stricter than the one of the EU countries in general. The process of getting product registration done in Russia is also very demanding. Some of the ingredients in the suppliers' products come from poor areas. In these kinds of cases the supplier wants to show their involvement in positive development processes of the local community.

In industrial segment the role of the segment leader is more that of giving a final approval for the selection initiated by areal organization. As one of the segment leaders explained, he is not an active part of supplier selection process, it may be notified that maybe some other people should be interviewed for getting more detailed points-of-view on the process and what should be included in the criteria. On the other hand, the criteria should be similar for all suppliers of Algol Chemicals and it is therefore justified to discuss the matter forward with concerned people who hold the power for decisions.

6 CONCLUSIONS

6.1 Reliability and Validity

This study has been carried out for Algol Chemicals. The intention of the study has not been to find new theories or generalizations but to find out what is the best way for Algol Chemicals to take corporate responsibility into account in the company's supplier selection process.

6.2 Suggestions for Changes

Based on the findings in this study, it can be concluded that some changes are justified in the current supplier selection process at Algol Chemicals; some changes can be even seen as necessary in order to fulfill the guidelines set by Algol. The most important and urgent change is that of systematic informing suppliers of the contents of the Code of Business Conduct (CoBC) of the Algol Group. This activity should also be reported.

As it is stated in the code, it is required that all business partners are informed about the contents of this code as well as expected to operate in a way that does not contradict them. In order to ensure that the contents of CoBC is known to the new company suppliers, it is recommended to include sending the document to all new suppliers as a part of the procedure. It is also the easiest way to communicate the code to the suppliers. In addition, documenting this is also necessary. This could be done in the form of sending the CoBC as an attached document in Salesforce. This would leave a mark in the software system and all company users of the software could see this when entering the profile of the supplier or potential supplier.

Acceptance of the CoBC by the supplier is also necessary. This could be done by a supplier representative holding the signature right signing a document in which the reception and understanding of the CoBC as well as a guarantee of doing business in a complying manner would be guaranteed. If the supplier could not agree to this but would rather provide Algol Chemicals a similar code of conduct of their own, this would be acceptable as well. Neglecting to do either should terminate any further discussions for doing business together.

In the contents analysis of the corporate responsibility documents, three critical topics in regards to supplier selection were found. Forced or child labor, corruption, bribery and extortion as well as money-laundering are issues that Algol Chemicals cannot accept.

Among the customer enquiries there was a sector specific code of business conduct, which actually stated that use of child labor was acceptable in certain circumstances. Even though the guidelines were precise and understandable, they were not fully in the line of the company guidelines of Algol Chemicals. Customers were not in the focus of this study, but they are another group of business partners. As such Algol Chemicals should not accept this customer as a business partner.

Analysis of the customer questionnaires brought up a number of valuable topics for supplier selection. A questionnaire for suppliers was conducted for the use of Algol Chemicals based on those topics. Some of the most frequently asked corporate responsibility and HSEQ topics were:

- Turnover
- Ownership
- Certified Quality Management System
- Certified Environment Management System
- Safety
- Copies of the Certificates
- Traceability
- Training of Employees
- Complaint Handling
- Legal Compliance
- Internal Audits
- Possibility for Customer Audit
- Bribery

In the interview of the Quality and Environment Manager, safety data sheets and labeling were named as the most employing topics. In order to help with the workflow, questions about safety data sheets in company languages and

labeling possibilities of the supplier were also added to the supplier questionnaire.

In the interviews of the segment leaders of Algol Chemicals, interesting points were raised. It was generally agreed that the reporting of corporate responsibility and HSEQ aspects was lacking and that this was a place for improvement. Other ideas found in the interviews were some practical ideas, request for more detailed corporate guidelines in regards to the relations with suppliers and more exporting of corporate responsibility and HSEQ topics to the subsidiaries. Based on these ideas, some change suggestions were made. A common check list with all aspects to be covered in the supplier selection process would be a beneficial tool. In addition to the topics of other interest in regards to HSEQ and corporate responsibility, this checklist should include other important topics such as those of financial and business interest. Translating the corporate guidelines languages to all Algol Group languages would also help communicating these guidelines to all subsidiaries and their business partners.

Finally, more discourse between Algol and Algol Chemicals is necessary in order to report the matters in the corporate responsibility guidelines. Suggestions of this study need discussion and acceptance to be taken into action.

Also as a result of this study, a supplier self-assessment form will be prepared for sending it to the suppliers prior to entering into business. Also, suggestions for evaluation of the answers for supplier self-assessment form will be made. Evaluation between three categories in corporate responsibility and HSEQ issues were suggested. One category, as a result of failing to operate in line with the CoBC for instance, would lead to *no acceptance*. Suppliers providing sufficient information of their products and operations as well as acting in accordance with the CoBC, would lead for *acceptance*. Finally, suppliers that would both sign the Algol Group's CoBC and ease the workload of the HSEQ team — by handling regulatory labeling and providing safety data sheets in desired languages — would be *accepted with pleasure*.

6.3 Suggestions for Further Studies

Legislation and regulations change over the time. Algol Group may also make changes in the corporate responsibility guidelines and policies — after all, corporate responsibility is seen increasingly important today. In addition, customer needs and requirements change continuously. In order to keep supplier selection process updated in these respects in the future, a study from time to time, in an annual basis, for example, is needed. Should the company want to be a forerunner in the customer needs and wants, a future study would be recommended.

This study was concerned in the corporate responsibility and HSEQ aspects in supplier selection. The other aspects were not covered and as there is currently no common list of supplier selection at Algol Chemicals, it is recommended by the author of this study to include these aspects in the process as soon as possible. In fact, so soon that and the aspects covered in this study as well as the remaining aspects could be adapted into the supplier selection process simultaneously.

In this study the focus was on the supplier selection process. Another study in order to gather data on the existing suppliers for evaluation is suggested. Also, in order to put corporate responsibility and HSEQ aspects fully into practice, a study with a focus on other business partners of the company such as transportation companies and customers, would be useful.

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INTERVIEW QUESTIONS FOR THE QUALITY & ENVIRONMENT MANAGER

4. How would you like to change the current supplier selection process at Algol Chemicals?
5. What are the supplier criteria that bind the company legally?
6. What kind of preliminary information of the potential suppliers could help or ease your job in the HSEQ team?

INTERVIEW QUESTIONS FOR THE SEGMENT LEADERS

10. How do you understand the HSE & Quality policy & Code of Business Conduct?
11. How do you understand corporate responsibility of Algol Chemicals?
12. How do you practice these corporate responsibility issues? (Do you think that corporate responsibility is part of your job, too?)
13. What is your role like in regards to suppliers?
14. Describe the supplier selection process in your point of view. (What happens before the request in Salesforce (CRM software in use at Algol Chemicals)? What issues are discussed? Do you report the issues and if so, how and to who? Do you use any listed criteria and if yes: what does it include?)
15. What kind of information do your customers require in regards to corporate responsibility and HSEQ?
16. What kind of (if any) local and/or segment specific legislation on these corporate responsibility aspects do you know?
17. How do the sales people in your teams report to you on the customer needs and wants in regards to suppliers?
18. What would help you and your teams to better include the corporate responsibility aspects in their work with supply chains and in supplier selection process in particular? (Tools, education, what else?)